

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Special Workshop Meeting held March 20, 2007

A special workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 5:32 p.m. by Mr. David Blain on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Blain were William C. Seeds, Sr., William L. Hornung, and Gary A. Crissman.

Also in attendance were George Wolfe, Township Manager; Steve Stine, Township Solicitor; Donna Speakman, Finance Director; William Harbeson, Executive Director; and David Doyle, Deputy Director, Capital Tax Collection Bureau; and Jerry Eby, Board Member Capital Tax Collection Bureau.

Pledge of Allegiance

Mr. Crissman led the recitation of the Pledge of Allegiance.

Public Comment

Mr. Jerry Eby, Carlisle School District Board Representative to the Capital Tax Collection Bureau (CTCB) noted that he was present to add some insight to the meeting. .

Continues discussion with representatives of the Capital Tax Collection Bureau regarding the collection of Earned Income Tax

Mr. Blain noted that a letter, dated February 28, 2007, was delivered to the Capital Tax Collection Bureau (CTCB) from the former members of the Central Dauphin Area Income Tax Organization (CDAITO), comprised of the Central Dauphin School District, Lower Paxton, Swatara, Middle Paxton and West Hanover Townships, and Paxtang, Penbrook and Dauphin Boroughs. He noted that the letter addressed numerous concerns regarding the Earned Income Tax (EIT) process. He noted that the concerns are more global than specific to any one entity.

He explained that that the CDAITO members sense that some changes need to be made to CTCB. He noted that the letter listed the following requests: changes to the infrastructure; governance initiatives are needed to review the bylaws; rotation of Board and Finance Committee members; and conduct a clearer and accurate reconciliation of tax dollars.

Mr. Blain explained that the Board of Supervisors have met numerous times in the past with Mr. Harbeson regarding EIT issues, and have since found that in discussions with Swatara Township and the Central Dauphin School District, that they share similar concerns. He noted that a meeting of the former CDAITO members was held to determine if they were also having concerns regarding their EIT. He noted that all the members agreed that the reconciliation documents are unclear, and difficult to understand. He noted that it was discussed at the January CTCB Board meeting that there should be a study of the internal controls to include a SAS 70 report by an independent accounting firm qualified in conducting internal control studies and internal control reports. In addition, it was determined that there was a need to determine the amount and composition of delinquency to the level of each government entity. He noted that this is very important to ensure that the municipalities are receiving their proper distributions. He noted that if there is a problem, the members need to be provided a better explanation as to what the problem is and why they are not receiving their estimated revenues.

Mr. Blain noted that the unidentified pool of funds is another issue that needs to be addressed. He noted that the CDAITO members are not permitted to share in the unidentified pool of funds for the first five years of membership, but it is felt that some of those funds belong to the CDAITO members.

Mr. Blain noted that these concerns are not only the concerns of Lower Paxton Township, but the concerns of all the CDAITO members. He noted that the members all share common concerns about the EIT process.

Mr. Doyle noted that he previously distributed a copy of a letter dated March 14, 2007, to the Board members attempting to address some of the concerns listed in the letter addressed to CTCB. He suggested that the most important thing to come out of this meeting is the need to keep the lines of communication open. He noted that he would be willing to meet with the Board members as often as needed.

Mr. Doyle explained that he could accommodate the detail to whatever any CTCB member needs. He noted that if he reviewed the distribution details for several months, it may be more helpful in understanding the reports.

Mr. Doyle noted that the spreadsheet was created in such a way that he would be able to provide information to several members at one time. He suggested that a one-on-one approach to explaining the spreadsheets would be very helpful to each CDAITO member.

Mr. Doyle explained that CTCB is working on the SAS 70 Study, and Mr. Blain has been quite helpful in this process. He stated that he expects to have the study completed by May, although there has been an increase in the scope of the audit. He explained that he received two responses for the Request for Proposals (RFP), one from Parente Randolph, LLC., and the second, from Waggoner, Frutiger, and Daub, CPA. He noted that, in both cases, there was an increase in the scope of the audit to include the unaudited supplemental pages including the distribution. Mr. Blain questioned why Brown, Shultz, Sheridan and Fritz did not submit an RFP. Mr. Doyle explained that they were the original auditors, and they felt if they completed the audits, and more negative articles continued to be printed in the newspapers, that it would tarnish their reputation. Mr. Doyle noted that he wants to prevent the perception that there are problems with CTCB, noting the recent articles in the newspaper. Mr. Doyle noted that Brown, Shultz, Sheridan and Fritz provided their proposal for the original audit, but after the RFP was developed and the scope was increased, they chose not to respond to the RFP. Mr. Doyle explained that he sent the RFP to ten firms and only received two responses. He suggested that that bad press was

a concern with some auditing companies, but he did not know why the other medium size firms did not respond. He noted that, originally, the proposal called for the audit to be completed by April 2007 which falls right in the tax season. He noted that the second RFP request's deadline was moved to July 2007. He suggested that Parente Randolph LLC is a very good firm, and they would be his recommendation to the Finance Committee to complete the audit. He noted that they are the auditors for the Central Dauphin School District, and also for the Berkheimer Group, a private for-profit company that collects EIT. He noted that Parente Randolph LLC provided the costs for a normal audit, and a second estimate that included the additional schedules. He noted that the additional work adds roughly \$25,000 to the audit, and he suggested that this may only need to be completed for a couple of years.

Mr. Doyle noted that another issue to be discussed is the delinquent funds. He noted that delinquent funds are divided into two different types, one being those that are known, the person files taxes but owes money, and the second type is from those individuals who fail to file a tax return. He explained that CTCB was tied up in court waiting for Judge Clark to render a decision, and this resulted in the shutdown of the filing of criminal complaints since 2000. He explained that since a decision was rendered, Mr. Wolfe signed several thousand complaints for one year's work. He explained that he sent a letter to all the non-filers to provide a warning, and this resulted in some compliance. He noted that CTCB started to file complaints for each municipality with the individual Magisterial Judges and this resulted in more compliance. He suggested that most non-filers are habitual, therefore, some individuals started to pay their delinquent taxes. He noted that he is very aggressive in going after the filers that can be identified, noting that CTCB is permitted to do wage attachments and spousal wage attachments. He noted Mr. Harbeson would provide detail on this later in the meeting.

Mr. Doyle noted that the major sources of delinquent funds are from the unidentified pool of funds. He explained that the largest contributor to the pool is the Department of Defense

(DOD). He noted that the DOD's manner of distribution has a huge impact on all the local EIT collectors, especially Lebanon County and the West Shore School Districts. He noted if all these entities are unable to determine the detail, then none of the funds are being distributed. He noted that CTCB, Chambersburg, and the West Shore Tax Collection bureaus are working together, as a consortium, to find a way to reconcile the funds. He noted that Barbara Bond, a Harrisburg CTCB office employee, has taken great strides in identifying people who work for DOD that can provide the information to reconcile the funds from 2006 forward. He noted that he receives the funds on a weekly basis, but DOD refuses to send the detail. He noted that CTCB has no power over the federal government to require them to do so. He explained that the consortium will be writing letters to Senator Specter to put pressure on the DOD to provide the detail to the tax offices. Mr. Hornung questioned how much money was in the pool of funds for DOD funds. Mr. Harbeson answered that it is \$2.7 million. Mr. Doyle noted that when CTCB was provided some information on detail, it resulted in the distribution of \$265,000 to the Central Dauphin members. He suggested that part of those funds would belong to Lower Paxton Township. Ms. Speakman questioned if CTCB could get the information when the individual files their tax return. Mr. Harbeson noted that that is one way, and a second way is when they file claims from outside. Ms. Speakman noted that this would work for all the filers, except for the non-filers. Mr. Harbeson noted that there are seven employer accounts from the DOD, he noted that he needs to know which funds come from which employer since he must post directly to know what the balance due would be. Mr. Hornung questioned Mr. Harbeson what he does if he cannot identify which employer it is. Mr. Harbeson answered that he would release the funds based on the payments. He noted that he would have to ask Ms. Bond where she puts the funds.

Mr. Crissman questioned if the funds are mailed from each military installation. Mr. Harbeson noted that since the DOD changed their distribution process in 2002, it is all mixed together. Mr. Doyle noted that much of their accounting comes from one location. Mr. Crissman

explained that the school districts knew every student that has military parents, and what installation they were working at, since they collect this money separately. He noted that the school district was audited for these funds in order to be reimbursed. He noted that each parent had to sign a PL-874 Form for their children, and this has been the practice since at least 1967. He explained that this information was sent to the earned income tax offices. Mr. Doyle noted that he was not aware of that data, and he stated that he would inquire with Ms. McConnell. Mr. Crissman suggested that the law could have expired, but he did not know if it did.

Mr. Doyle noted that this would not help to gain information for military workers who don't have children. He noted that Hampton Township centralized a lot of their accounting. Mr. Crissman questioned if the military installations would be treated the same as any other employer, and required to submit the information to the tax offices. Mr. Doyle noted that the federal government does things differently. He noted that he will receive 15 checks in his office in one week from the DOD accounting office, and it is unknown where it is coming from. He noted that, supposedly, the DOD is to be sending the checks to where the employees live, but there is no means to verify this. Mr. Doyle noted that the EIT collectors need help to identify these funds, and he suggested contacting Senator Specter for assistance in requiring the DOD to provide the reconciliation information.

Mr. Crissman questioned what CTCB has been doing since 2002 in regards to the DOD funds. Mr. Harbeson answered that he has been working on this issue since that time. Mr. Blain questioned if that money has been sitting in the unidentified pool of funds since 2002. Mr. Harbeson distributed a spreadsheet explaining the DOD EIT. He noted that it is unknown as to what installation withheld the taxes. Mr. Blain questioned what Mr. Harbeson was trying to say on page two of the document. Mr. Harbeson noted that the first column lists the employer account number, name, date account was established, what CTCB division is reported to, what installation the withholdings are from, and if the taxes that were paid are for a certain area such

as Central Dauphin, Harrisburg, or Carlisle. He noted that the first line under each year is how much funds were received, and the second line shows the total detailed received to date. He noted that the fourth line lists the undistributed funds. Mr. Hornung questioned if the detail was provided from the employers or tax return. Mr. Harbeson answered that it was provided by the employer. Mr. Hornung questioned if he used the detail received from the tax returns. Mr. Harbeson answered that that would be the last resort, after all attempts to get the detail from the employers failed.

Mr. Blain questioned, on page three, line 34, if the amounts shown as \$9,306,854 is the amount of payments received, and line 35 is the amount of detail, \$7,136,190, that has been received to date. He further questioned if the additional detail that was received in February 2007 in the amount of \$267,190, resulted in \$2,170,664 of unidentified funds. Mr. Blain questioned if some of the \$2.1 million belongs to all the members of the CTCB. Mr. Harbeson answered that in addition to the CTCB members, the funds may also belong to outside members as well. Mr. Blain noted that it would be right to assume that some funds belong to Lancaster and other tax bureaus. Mr. Harbeson answered that that was correct.

Mr. Harbeson noted that of the \$267,190, Lower Paxton would receive \$122,000 in resident money, and \$7,000.00 in non-resident money. Mr. Crissman noted that CTCB has received these funds since 2002, without the detail, and he suggested that either the money just sits in the account, or CTCB should attempt to get the detail. He suggested if DOD provides some detail, why can't they provide the detail initially when they send the money. Mr. Harbeson answered that they will not provide the information. Mr. Crissman stated that it does not make sense that DOD provides some detail after the distribution, but not during the distribution. Mr. Harbeson noted that the \$2.1 million found in the pool is missing detail. Mr. Crissman questioned if the employer is to provide the tax office with the detail. Mr. Doyle answered that they are supposed to. Mr. Stine suggested that what Mr. Harbeson is trying to say is that the

federal government does what it wants. Mr. Harbeson noted that he has requested quarterly detail from the DOD, but they are not cooperating. Mr. Seeds questioned if the entire amount of \$2.1 million is DOD funds. Mr. Harbeson answered that it is.

Mr. Blain noted that the \$2.1 million is the accumulation of unidentified funds since 2002, and suggested that the Township would be owed roughly \$25,000 a year in funds. Mr. Harbeson noted that the Central Dauphin Division is in better shape than the Carlisle Division, since they are more out of compliance than the other areas. He noted that some of the \$2.1 million belongs to Lower Paxton Township. Mr. Hornung questioned what percentage of the funds belongs to Lower Paxton Township. Mr. Blain suggested that it may be 5%, which would amount to \$100,000. Mr. Doyle suggested that that was a dangerous assumption since CTCB does not know who the funds belongs to. Mr. Stine suggested that the funds may also belong to other tax bureaus. Mr. Crissman suggested that those other agencies could also be sitting on funds that belong to the Township for the very same reason. Mr. Harbeson noted that the West Shore Tax Bureau is experiencing the same problems. He suggested that the majority of the tax is paid to the CTCB, but a portion of it belongs to other tax bureaus. Mr. Blain noted that CTCB is much larger than the West Shore Tax Bureau. Mr. Doyle noted that they have the two military installations in their jurisdiction. Mr. Blain suggested that CTCB may owe them \$4 million, but they could owe CTCB \$2 million. Mr. Harbeson suggested that the tax that would need to be exchanged would be a small percentage of the total funds. Mr. Crissman noted that there are a large number of people who live in the Township that work at Mechanicsburg and New Cumberland installations.

Mr. Crissman questioned how much of the money in the pool of unidentified funds that is not DOD funds. Mr. Harbeson explained that he estimates it to be approximately \$4 million. Mr. Harbeson suggested that the DOD funds are roughly 50% of the unidentified pool of funds. Mr. Doyle noted that there will always be businesses that go out of business for which no detail is

provided. Mr. Crissman noted that it is essential that when the funds are sent to CTCB that the detail must accompanied it. He noted that it is the only way to provide for accurate accounting and distribution.

Mr. Doyle requested more information regarding the concerns on the governance issues, noting that this would be addressed by the Finance Committee. Mr. Harbeson suggested that this included the rotation of the Finance Committee members, and the officers. He questioned if anything needs to be added to this. Mr. Blain questioned if there are bylaws for CTCB. Mr. Harbeson answered yes. Mr. Blain questioned when the last time was that they were independently reviewed by a attorney or public accounting firm that focused on governance appliances, such as the Sarbanes-Oxley Act. Mr. Harbeson answered that the bylaws would have been reviewed in 2002 at the time of the merger. Mr. Blain noted that the corporate governance bylaws should be reviewed by someone who is well versed in corporate governance regulations. He noted that as part of the review process, the auditors should provide recommendations for improvements to tighten controls within the organization. He noted that it does not make sense that the Finance Committee runs the CTCB. He noted that anything the Finance Committee recommends is always enacted. However, he explained that there was more interaction at the January CTCB meeting, and more comments were made from the other board members. He noted that there are many qualified members in the CTCB, and it would make sense to rotate the Finance Committee members within the membership, although it would be important to keep continuity on that Committee. He suggested that this is only one item that may be found in the review.

Mr. Crissman questioned if the bylaws provide for the rotation of membership. Mr. Blain answered that the bylaws do not provide for rotation, but rather, the Finance Committee are elected by the membership. He noted that it is the same people every year. Mr. Harbeson noted that they are appointed by the President.

Mr. Eby noted that Finance Committee is elected and some members are appointed as at-large members. He noted that the elections are always opened up for nominations. He noted that the Finance Committee nominated certain people to be officers, and then it is open to anyone who is interested. He noted that, typically, that does not happen. Mr. Crissman suggested that it is a “good old boys” network. Mr. Eby noted that there are people on that Board that do not attend meetings, and they should be replaced by people who will attend the meetings. Mr. Crissman suggested that some members represent entities that have very small amounts of funds distributed to their municipality, while there are others who have large sums of money that have no voice. Mr. Eby noted that the members from the CDAITO have three members on the Finance Committee. Mr. Crissman suggested that that was negotiated in the merger agreement. Mr. Blain noted that he would be cautious to state that he was part of the “good old boys” network since he rotates on and off the Committee. He explained that the only permanent seat from the CDAITO members is the Central Dauphin School District; the other members have to rotate membership. Mr. Blain explained that CTCB does open up the floor for nominations for the Finance Committee, however, a whole slate of candidates are proposed, and it is always the same people every year. He suggested that members think the slate is in place, and that is why no nominations are made. He noted that he was surprised when the one member stood up and suggested that the opportunity should be given to other members to be on the Board. Mr. Eby suggested that a nominating committee should be established. Mr. Blain noted that he is not speaking for Lower Paxton Township only, but rather, for all the members of the former CDAITO. He noted that they are asking that a fair voice should be given to all members of the Board. He noted that it is perceived that it is a closed voice for nominations to the Finance Committee. He noted that he has never heard as much discussion as what occurred at the January CTCB Board meeting since members opened up and asked questions.

Mr. Eby suggested that the CTCB Board members should call a workshop session to discuss tax issues and how the distributions are determined. He suggested that more needs to be done to involve the members. He stated that he did not perceive that there is a coalition to keep people out. He noted that he has become more involved in the process since the South Middleton lawsuit, and the adverse information was printed in the newspapers. He suggested that some of the information is not correct, and that more people need to become involved in the process. He explained that Mr. Harbeson has been invited to address the Carlisle School District Board on several occasions.

Mr. Blain noted that the third issue for discussion is the need for a clear and accurate reconciliation of tax dollars collected to each level of municipal entity and if it should be subject to an annual audit. He noted that CTCB should be able to provide this information quarterly to each entity on a dollar-for-dollar basis. Mr. Doyle answered that this detail could be provided in the distributions, but since CTCB does not do quarterly detail, it could only provide matching information. He noted that part of the funds are an advance, and others can be matched by the detail received by the employer that is provided to CTCB, or by another tax collector who provides it to them. He noted that detail could be provided on a monthly basis. Ms. Speakman noted that the distributions occur two months after it is collected at CTCB. She noted that the annual numbers that CTCB shows on their reports would not match the Township's annual numbers since there is a two month difference. Mr. Doyle noted that he could work with Ms. Speakman to provide her with the information that she needs.

Mr. Blain questioned if an internal control study had ever been performed. He noted that the software product was built in-house by Mr. Harbeson and Mr. Golden. He questioned if it had ever been accessed to ensure that all the internal controls are in place. He questioned if some of the problems could be the result of a software issue. Mr. Harbeson answered that separate IT Audits were performed by Brown, Shultz, Sheridan, and Fritz in the past six years.

Mr. Doyle noted that Act 511, which was enacted in 1965, is not very clear in its requirements. He noted that CTCB's solicitor suggested that to be in complete compliance with the Act, every individual should be bonded for the amount of tax funds that are accumulated in the bank account at any one time. He noted that \$40 million would be the high level of tax income at any one time. He noted that prior to the merger, each individual was bonded for \$250,000 for the blanket funds, and Mr. Harbeson was bonded for \$1 million, but after the merger his bond was increased to \$2 million. He noted that internal controls were set in that only a certain amount of funds could be wired to the bank, it must be backed up by a second signature, and it could only be wired to specific bank accounts. He noted that he does not know of any tax bureau that is in complete compliance. He noted that he spoke to the tax collector for the West Shore School District who is looking to bond himself for \$25 million, and the other members of his staff at \$1 million or \$2 million, and the quote he received for the bonding was \$250,000.

Mr. Doyle explained that he approach the Department of Community and Economic Development (DCED) and spoke to their executive director, and several other members to discuss issues that need to be changed. He noted that he brought up the bonding issue and was told that each member does not have to be bonded. He requested some assurance on this answer, and he was told to go back to his solicitor. He noted that his solicitor does not agree with this decision. Mr. Doyle explained that he planned to write a letter to Fred Reddig, the executive director of local government services for DCED, to request legislation changes to clarify this point. He noted that the bonding expenses would need to come out of the distribution fees.

Mr. Blain noted that the Audit Committee recently met with an individual who has experience with tax collection, and was told that one way to be compliant with the bonding is to deposit all funds over a certain amount into a trust account, and the trust account would have controls as to how the funds would be dispersed, such as the number of signatures required, and

that only certain people would have the authority to move the funds. He explained that the bonding would only be required for \$4 million, instead of \$40 million, and that would reduce the cost for the bonding. He noted that CTCB would only need to be bonded for the funds in the operating bank account. Mr. Harbeson questioned who would run the trust, and authorize the transfer of funds. Mr. Blain answered that permission would be delegated to certain members of the executive board as well as Mr. Harbeson. Mr. Seeds suggested that those who are able to move the funds would need to be bonded.

Mr. Seeds questioned what the Supervisors members are bonded for. Ms. Speakman answered that she is bonded for \$1 million, but the Board members are not bonded. She noted that they are covered by the Public Official's Insurance. Mr. Stine noted that there is no bond requirement for the Board of Supervisors, however, the Treasurer must be bonded. Mr. Stine noted that the Board members have Errors and Omission Insurance coverage. Ms. Speakman noted that the bond for \$1 million dollars is what the Township determined to provide for her.

Mr. Eby suggested that more discussion needs to be held by the Finance Committee on the bonding issue, and more ideas for the limited exposure to the funds. He suggested that a list of authorized depositories for the members should be made, and Mr. Harbeson could not deviate from the list unless the Board of Directors gave the authorization to add a new account. He noted that it would eliminate an illegal transfer of funds to an unauthorized account. Mr. Doyle noted that CTCB has internal controls built in, and it is set up similar to a trust fund, but he suggested that CTCB is still not in compliance with the law. He noted that the Board members have directed CTCB to be in compliance, and he suggested that Mr. Blain's consultant is incorrect. Mr. Harbeson noted that he looked at that angle, but was told that it is not a correct way to do it.

Mr. Crissman questioned why the Township has been receiving a flat amount of funds since 2002, as compared to the increased costs that it is bearing. Mr. Blain noted that there were good answers provided by CTCB on the DOD issues and delinquent issues, but he questioned if

everything remained constant, why the distributions are flat from 2002 to 2005. Mr. Harbeson distributed a spreadsheet and explained that it goes back to the 2002 year. He noted that he sent a letter to the members before the 2002 distribution warning the members of a compaction that was to occur in 2002. He noted that on page two of the spreadsheet, it showed a lump sum in 2002 that was abnormal and would not occur again. He noted that he warned the members not to predict their future budgets from what occurred in 2002. Mr. Wolfe noted that the Township was not doing this, and for the years 2004 through 2006, the funds are flat. Mr. Blain noted that if you took the totals from 2002 and 2003, the average number is close to what the Township is getting in 2004, 2005 and 2006. He noted that for a five-year time period, the distribution has not varied more than \$100,000 in one direction. He noted that this is what all the CDAITO members are struggling to understand. He noted that the growth for Lower Paxton Township is more than 1% for the year, with a population greater than the City of Harrisburg, and it is projected that the Township will have a population of more than 50,000 in the year 2010. He suggested that this does not add up.

Mr. Harbeson noted that on page one of six, the top line shows total distributions for the last five years of the former bureau, and with page two showing the first five years of the current bureau. He noted that he listed the Township separately, broke off the Central Dauphin School District funds, and added the City of Harrisburg as a reference. He noted that row 19 shows the actual increase if it would be perfect every year at 3.37% for the years 1996 through 2001 for all CDAITO members. He noted that for Lower Paxton Township the rate was 3.51%, the School District's increase was 2.88%, and the City of Harrisburg's increase was 6.02%. Mr. Crissman questioned if these figures were based on the numbers found on line six. Mr. Harbeson answered that that was correct. Mr. Harbeson noted that on page five of six, row 58, it projected how the Township's funds would have come in if they were exactly even.

Mr. Harbeson noted on page two of six, it showed the same information with no changes to the distributions, the average annual increase for the years 2002 through 2006 was 4.22%, and for the Township it was exactly 4.22%. Mr. Blain suggested that it is too coincidental that the average annual increase over five years for the Township is the same percentage as all the other entities. He noted that the 4.22% is misleading since it includes the past five years, instead of showing the flat increase for the past three years. He suggested that the numbers for 2004, 2005, and 2006 are exactly the same, and this is the problem. He questioned why the numbers are not growing.

Mr. Harbeson noted that in the second set of one of six pages, he made adjustments that would have an impact on the percentages from year to year. He noted in 2001, Mr. Doyle made special advances to many municipalities that were taken back in 2002. He noted numerous advances that were made in 2002 were not taken back and were equalized in 2005. He noted that the last five years did not change until the 2001 adjustment was made. He noted that the percentage of change for 2001 was a negative 1.45% when adjusted, whereas, it was 18% on the actual spreadsheet. He noted that the adjustment had an affect on the percentages from 1996 to 2001.

Mr. Crissman noted that on page two that displays the adjustments, the funds are up and down for the years 2002 through 2006. He questioned why the figures are flat when the actual number of residents had increased. Mr. Harbeson answered that the average rate of increase for the municipalities under the prior tax bureau was 3.26%, but, under the new bureau the average increase was 4.88%. Mr. Harbeson noted in the third section of one of six pages, the spreadsheet was adjusted to neutralize extraordinary items for the 2001 windfall. (He corrected the title stating that it should say for the 2002 windfall). Mr. Harbeson noted that there was a compaction of payments in 2002, so he took them out, and on page two of six, row 14, column I, he noted that the total is \$8,300,051.00, however, for the first set of 2006 it was almost \$9,796,822.00. He

noted that this is the result of the compaction increase. Mr. Harbeson noted on line 15, the percentage of increase in 2002 was 3.52%, increasing to 4.65%, to 4.96%, and decreasing to 3.18% for 2005 and -0.48% for 2006. He noted that the DOD funds that the Township would receive in April 2007 should have been received in 2006.

Mr. Crissman noted that this does not answer the question as to why the gross collections are down from 2004 to 2005 and 2006's collections did not equal 2004 when you have more people paying in gross collections. Mr. Harbeson suggested that this had to do with the West Shore and Lancaster tax bureaus reconciliations, and the DOD funds. He noted that \$127,000 of those funds were identified. He suggested that there should be more funds coming, but he noted that he thought the Township received the bulk of the money owed them.

Mr. Doyle stated that there is a large problem with the Lancaster Tax bureau. He noted that they have taken over the Middletown, Lower Dauphin and Susquehanna Township School Districts, and he questioned if CTCB was receiving all the funds due them from the Lancaster Tax Bureau, outside of the DOD funds. Mr. Crissman noted that there has to be an explanation as to why the gross amounts are flat when the population is increasing. He questioned where the funds are, and if the Lancaster Bureau was sitting on LPT funds, how CTCB would resolve the issue. Mr. Doyle noted that the Lancaster Bureau hired a new director, and he suggested that their advances are not in-line as to what they should be. Mr. Harbeson noted that the Lancaster Bureau seems to be a problem every year. He suggested that there could be a problem with funds in amounts up to \$250,000. Mr. Crissman questioned when the Lancaster Bureau took over Middletown's distribution. Mr. Doyle answered that it was in 2003. Mr. Crissman suggested that they could be sitting on four years of funds. Mr. Harbeson noted that the Lancaster Bureau takes care of the funds when they reconcile and under-advanced CTCB. He noted that their reconciliation is delayed three months from July to October 1st. Mr. Harbeson noted that he did not know how much DOD funds Lancaster receives.

Mr. Doyle noted that he had been working with an individual from Londonderry Township, and since the merger with the Lancaster Bureau, they have seen a drop in their revenues. Mr. Crissman suggested that the Board's action plan should be addressing Senator Specter for help, especially since the local tax bureaus are probably sitting on funds that belong to LPT. Mr. Doyle noted that he would be very happy with the Township taking a stand on this issue.

Mr. Wolfe questioned if he could take the \$5.6 million received in 2006 and multiply it by 3.5% and that would be the 2007 earning amount. Mr. Harbeson answered is that there is no guarantee that it would be accurate. He noted that on page three of six, if the increases over the past five years were even, and if this was worked into the equation, it would take care of it. He noted that fluctuations will occur. He noted if the CDAITO switched to quarterly disbursements, it would be fine with him. He explained that two large neighboring tax bureaus switch to non-quarterly detail and that made distributions fluctuate, and DOD funds that should be received in this year were all put into one year lump sum.

Mr. Wolfe questioned when CTCB distributes funds to LPT, do they distribute based upon the year of receipt or the year it was to be paid. He questioned if CTCB distributes current and delinquent funds from the prior years. Mr. Doyle answered that Mr. Eby made a suggestion that CTCB should provide current year information that would provide for more of a standard trend line in order to prepare a future budgets. He noted that the adjustments create confusion. Mr. Harbeson noted that Mr. Eby made this suggestion when he was making a presentation for the Big Spring municipality. Mr. Harbeson noted that when he provides a report for tax collection, it is accruing the January and February payments for the previous year, because it is actually November and December collections. He noted that the right column found on page three is what the Township is actually receiving. He noted that he always provides gross distributions, he does not net out the commissions since the commission rate goes up and down.

He noted that it is shown without the commission deduction. He noted that the spreadsheet shows the monies that were collected in the calendar year, and what tax years they were paid. He noted that the current tax year shows a steady increase for the years 2004 through 2006, with the exception of the anomaly that occurred in 2002. He noted that the old money skews the amounts, and this is mainly due to the DOD taxes. He noted that as soon as he receives the compliance from DOD, he distributes the funds. He noted that the 2nd prior year for 2004 was \$84,946 and then it dropped to \$70,363 for 2005 and \$41,354 for 2006. Mr. Wolfe questioned why in 2004, 2005, and 2006 the Township wouldn't experience 3.5% increases per year. Mr. Harbeson answered that it is due to the DOD funds. Mr. Wolfe noted that the DOD funds were not included in any of those years. Mr. Harbeson answered that some if the DOD funds were received in the current year. Mr. Crissman questioned if the DOD funds were removed, if the Township would experience a 3.5% increases. Mr. Harbeson suggested that the Township is now averaging a 3.55% increase. Mr. Crissman questioned if that was without the DOD funds. Mr. Harbeson answered that some of the funds included DOD funds.

Mr. Eby suggested that when CTCB makes a report to each of its members, the money should be identified for the year that it belongs to, and he suggested that CTCB is not doing it in such a way that it is understandable to the municipalities. He noted that it is important to identify the delinquent funds received for each month. He noted that it would make more sense if this was done. He suggested that a report should accompany each check, breaking down the amounts into the different years funds. He noted that this would help in the budgeting process to know what funds are for the current year. Mr. Eby suggested that the Committee should discuss a better means of reporting disbursement to the different entities. Mr. Crissman noted that it would help to know what the normal percentage of growth was for the current year. Mr. Blain agreed that this needs to be done. Mr. Harbeson admitted that he needs to provide a better report.

Mr. Blain noted that the big difficulty is that people do not understand the reporting system, but based upon the information reviewed tonight, he noted that for the past three years, the numbers are flat. Mr. Blain questioned if the reason for the flat growth was that the majority of the growth for the CDAITO members was that the money was caught up in DOD disbursements or at the Lancaster tax bureau. Mr. Doyle noted that that would be only an assumption. Mr. Blain suggested that it does not make sense when the population is growing and so are the wages. Mr. Crissman noted if the monies coming in are from prior year's reconciliations, then you would expect to see the monies increase. Mr. Seeds questioned if the bottom line is that someone else has the Township money. Mr. Harbeson suggested that looking at the third set of six pages, the monies are not flat. He noted that only the year 2006 is flat. Mr. Blain noted that on line six, the figures flatten out. He noted that the information provided previously shown on page two of eight is different. Mr. Blain suggested that 80% of the Township does not work for DOD or Lancaster, and that there should be some increase in the numbers. He noted that the average increase for the past five years is in the 3% range. Mr. Blain suggested that Mr. Harbeson is manipulating the numbers to get the figures. He noted that there was a large anomaly in the year 2002. He suggested that he should review the last three years, as they are the normalized years. Mr. Eby suggested that Mr. Harbeson needs to go back to the raw numbers and allocate the money to the year that it belongs in. Mr. Eby noted that he has a judge in Cumberland County who will not hear any complaints, and there are many people who decided not to pay their taxes. He noted that many of those people are repeat offenders, and it would not make a huge difference on the numbers.

Mr. Doyle noted that it is important to open the lines of communications.

Mr. Wolfe questioned what the next step for the process would be. Mr. Doyle answered that CTCB would provide clearer numbers to Ms. Speakman, trying to isolate the current figures to see if there is a trend line. Mr. Crissman suggested that there is still a lot of money sitting that

the Township is entitled to and he wants to pursue this. He noted that the Board members have an obligation to do this. Mr. Blain noted that as elected officials they are held to be fiduciary responsible over the tax payer's money. He noted that he must be assured that everything is being done to collect the tax funds for the Township, or he would be negligent in his duties. He explained that two-thirds of the revenues are EIT. He noted that the smaller municipalities cannot afford to be under-dispersed on their EIT.

Mr. Blain thanked Mr. Doyle, Mr. Harbeson and Mr. Eby for attending the meeting. He noted that Mr. Doyle will work out an appropriate reconciliation report with Ms. Speakman. Mr. Crissman questioned what CTCB's action plan would be to take care of the DOD issues to distribute the pool of funds. Mr. Doyle suggested that the RFP for Internal Control Study should be done before May. Mr. Doyle noted that he needs to work with someone about this. Mr. Blain stated that he would work with Mr. Doyle on this matter. He questioned Mr. Harbeson if he was one hundred percent sure that there were not problems with the information systems. He noted that a few years ago, CTCB had to hire an auditor to reconcile the balances. He suggested that one of the problems identified at the time was there was a reconciliation error occurring within the system. Mr. Harbeson answered that it is not an internal problem. He noted that he is totally comfortable with that. He noted that there are various factors involved. Mr. Blain suggested that there were serious reconciliation problems found by the auditors. Mr. Blain noted that Ms. Speakman recently found an error that needed to be addressed as well. He noted that it was stated that the error would have been found in the next month's work, but he questioned if the internal controls are working properly. Mr. Eby noted that a more detailed audit would be required.

Mr. Crissman specifically requested a written response to the action plan that CTCB is going to take to recover the DOD funds.

Adjournment

Mr. Crissman made a motion to adjourn the meeting. Mr. Blain seconded the motion, and a unanimous vote followed.

There being no further business, the meeting adjourned at 7:32 p.m.

Respectfully submitted,

Maureen Heberle

Approved by,

Gary A. Crissman
Township Secretary